

REVENUE OUTURN 2015/16

- 1.1 Appendix 2 outlines the Council's budget outturn for the 2015/16 financial year at both Directorate and Portfolio level. The outturn shows the budget has been managed in total with a small under spend. After carry forwards, the Council underspent by £270,000.
- 1.2 Underlying the Council's "bottom line" figure, prior to carry forwards, are a number of variations (at a Directorate level):
- Service overspends of £1.966m
 - Service underspends / over achievement of income of £1.015m
 - A £1.610m underspend on Corporate and Agency budgets.
- 1.3 The explanations for the 2015/16 outturn variations are given in Appendix 3, and some are highlighted below.
- 1.4 The main areas contributing to the underspend and over achievement of income position occurred in the following areas:

Heritage Services

Favourable variance of £521,000, due to additional income from higher visitor numbers and some cost reductions on property maintenance.

Capital Financing Costs

Underspend of £532,000, due to lower borrowing interest costs as the Council continues to use cashflow funding to offset its borrowing requirements.

Corporate Budgets

Underspend of £1,080,000. This includes a £660,000 surplus on the Council contribution required for historic pension deficit recovery, an increase in income arising from the Spa profit share agreement and a reduced call on the Education Services Grant reduction provision.

- 1.5 The main areas of overspending have occurred in the following areas:

Children Young People & Families

Overspend of £866,000. Whilst Children's placement numbers held steady, staffing costs have increased in preparation for Ofsted and to accommodate sickness and vacancies in critical roles.

Learning & Inclusion

Overspend of £475,000. Children centre activity income targets have not been achieved and changes to preventative services commissions have been delayed.

Customer Services

Overspend of £438,000 mainly due to reductions in one-off grant income which had previously offset longer term grant reductions, as well as increases in annual billing costs.

Commercial Estate

Adverse variance of £336,000 mainly due to a shortfall in income against extended targets, fees incurred for on-going asset revaluations required by external auditors and higher repairs & maintenance costs.

DECISIONS REQUIRED RELATING TO OVER AND UNDERSPENDS

- 1.6 Decisions are needed on some of the items in Appendix 4 relating to under and overspending in 2015/16. Each section of Appendix 4 is clearly marked for information or for decision. In particular, decisions are required in Tables 2 and 3 of Appendix 4. If all these items are approved this would give a final underspend of £270,000.
- 1.7 Table 3 of Appendix 4 contains requests to write off overspends as an exception to the Budget Management Scheme rules. The write off is requested as it is not considered practical to recover the overspend against the continuing financial pressures in 2016/17 and future years.
- 1.8 Appendix 5 provides details of corporately earmarked reserves reflecting the outturn revenue budget position.

USE OF UNDERSPEND

- 1.9 It is proposed that the overall underspend is transferred to the Transformation Investment Reserve.

REVENUE RESERVES

- 1.10 If the requests shown in recommendations 2.2 and 2.3 are approved by the Cabinet, the overall situation would be as follows:

Description of the Revenue Reserves Movements	£'000
Estimated General Un-earmarked Reserves following February Budget Report 2015*	10,480
2015/16 Outturn position, including additional use in carry forward of underspends and write off of overspends	+270
Increase in earmarked Transformation Investment Reserve	-270
Remaining available reserves would then be *	10,480
<i>Recommended optimal level based on corporate risk assessment</i>	10,480

*Excluding Invest to Save drawdowns which are repayable in future years. (Actual level of unearmarked reserves as at 31/3/16 is £9.0m reflecting the invest to save drawdowns)

- 1.11 As a result, the Council is meeting the reserves strategy outlined in the budget report to Council on 16th February 2016.
- 1.12 Appendix 5 provides details of corporately earmarked reserves reflecting the outturn revenue budget position.

SCHOOLS

1.13 The bottom line out-turn position in relation to schools is an underspend of £139k. The centrally held elements of the Dedicated Schools Grant (DSG) have overspent by £0.885m. The DSG overspend results in a DSG balance to be carried forward of £5.039m down from £5.924m in 2014/15. The main reasons for the decrease in the DSG balance was a planned reduction in the DSG carry forward, with the Schools Forum allocating £0.879m in one off resources to schools and central budgets as part of setting the DSG budget for 2015/16. These items are automatically carried forward under the DSG accounting arrangements, and budget adjustments have been made to reflect this.

1.14 The balances held by schools have increased by £139k from £2.9m to £3.0m. The schools balances are closely monitored by Schools Forum which has an excessive balances policy in line with continued DFE best practise guidance which has been adopted by the Schools Forum. All schools with balances deemed to be excessive are challenged to explain their position. Most large balances are planned in preparation for capital projects in schools.

COLLECTION FUND OUTTURN POSITION

1.15 As part of the 2016/17 Budget, an estimate was made on the position of the Collection Fund as at the 31st March 2016. The estimate is split into two elements, one relating to Council Tax and the other relating to Business Rates. The estimated and actual position for each is shown in the following table. The figures relate to the Council's share of the surplus / deficit, excluding preceptor and central government shares.

	Estimated surplus / (deficit) £m	Actual surplus / (deficit) £m	Difference £m
Council Tax	0.753	0.721	(0.032)
Business Rates	(1.138)	(2.332)	(1.194)
Total	(0.385)	(1.611)	(1.226)

1.16 The increase in the deficit on the Business Rates Collection Fund is mainly due to the need to further increase the appeals provision to reflect the increasing costs of settling appeals which are decided by the Valuation Office Agency. The outcome of such appeals is outside of the Council's control and significant refunds have been agreed for several Supermarkets, MoD sites and Retail properties. The difference will be taken into consideration when estimating the closing 2016/17 Collection Fund position as part of the 2017/18 Budget process. The Council also holds an earmarked reserve to help manage the volatility in Business Rates income.

CAPITAL OUTTURN 2015/16

1.17 The outturn capital spend of £39.999m was £21.456m less than the 2015/16 revised budget of £61.455m.

1.18 Services are requesting re-phasing of funding (project re-phasing) to 2016/17 of £20.296m, which includes:-

- £1.095m - Highways Maintenance Programme
- £0.583m – Kennet & Avon Tow Path & Cycle Parking
- £4.650m – Bath Transport Package (including related Public Realm and Highway Improvements)
- £0.581m – Leisure Dilapidations
- £0.691m Digital B&NES
- £1.122m Spend at School Level (devolved school budgets)
- £2.358m Other Children Services Projects
- £0.696m Keynsham Regeneration & New Build
- £2.917m Other Property Schemes
- £0.785m Corporate Capital Contingency

Details of the overall capital outturn position are given in Appendix 7, with further detail on the rephasing requests and over/underspends adjustments provided in Appendix 8.

CAPITAL RESOURCES

1.19 The 2015/16 outturn expenditure of £39.999m was financed mainly through the use of capital grants, third party contributions and borrowing.

1.20 The 2015/16 outturn expenditure was financed as follows:

	£'000
Total Capital Spending:	39,999
Funded by:	
Capital Receipts	8,000
Capital Grants	17,937
3 rd Party Receipts (inc S106)	1,705
Revenue	1,101
Prudential Borrowing (Implied Need)	11,256
Total	39,999

1.21 The £1,101k of revenue funding is predominantly in respect of Disabled Facilities Grants and IT investment projects.

1.22 Right to Buy Receipts for the year totalled £910k which was £680k above forecast. These receipts were used to fund the Council's contribution to the Affordable Housing elements of Bath Western Riverside, reducing the call on the Affordable Housing revenue reserve and Corporate Supported Borrowing.

1.23 The Council's provisional Capital Financing Requirement (CFR) as at 31st March 2016 is £182.5 million. This represents the Council's requirement to borrow to finance capital expenditure, and demonstrates that total borrowing of £118.3 million remains well below this requirement as at 31st March 2016. This illustrates the extent to which the Council is currently cash-flowing capital projects in line with the Treasury Management Strategy.